

**WIL LOU GRAY OPPORTUNITY SCHOOL
WEST COLUMBIA, SOUTH CAROLINA**

STATE AUDITOR'S REPORT

JUNE 30, 2019



Independent Accountant's Report on Applying Agreed-Upon Procedures

May 20, 2020

Mr. Pat G. Smith, Director
and
Members of the Board of Trustees
Wil Lou Gray Opportunity School
West Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the management of the Wil Lou Gray Opportunity School (the School), on the systems, processes and behaviors related to financial activity of the School for the fiscal year ended June 30, 2019. The School's management is responsible for the systems, processes and behaviors related to financial activity. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 either for the purpose for which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors related to financial activity of the School. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the School has agreed that the following deficiencies will not be included in the State Auditor's Report on Applying Agreed-Upon Procedures:

- Errors of less than \$1,000 related to cash receipts and non-payroll cash disbursements transactions.
- Errors of less than \$1,000 related to reporting packages.

This report is intended solely for the information and use of the Board and management of the Wil Lou Gray Opportunity School and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

George L. Kennedy, III, CPA
State Auditor

South Carolina Office of the State Auditor
Agreed-Upon Procedures - Wil Lou Gray Opportunity School (H71)

Cash Receipts/Revenues

1. Compare current year revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. Obtain from management an understanding of variations over \$5,000 – General Fund, \$20,000 – Earmarked Fund, \$15,000 – Restricted Fund, and 10%.
2. Randomly select seven cash receipts transactions and inspect supporting documentation to:
 - Ensure transaction amount, date, payor, document number, and account classification are properly reported in the general ledger.
 - Determine that revenues/receipts were deposited in a timely manner, in accordance with Proviso 117.1 of the Appropriation Act.
 - Ensure that both revenue collections and amounts charged are properly authorized by law.
 - Determine that receipts are recorded in the proper fiscal year.

Finding

Similar to the finding reported in the prior year, reimbursements of fiscal year 2019 student expenses from the composite reservoir account were not recorded in the proper fiscal year. In addition, approximately \$4,800 of reimbursements of student expenses that were recorded were charged to the wrong general ledger account.

Management's Response

We concur with the findings. The Finance Department was in a transition stage. Our corrective measure is to ensure all reimbursement is recorded in the proper fiscal year.

Cash Disbursements/Non-Payroll Expenditures

3. Compare current year non-payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$100,000 – General Fund, \$40,000 – Earmarked Fund, and 10%.
4. Randomly select twenty non-payroll disbursements and inspect supporting documentation to determine:
 - Transaction is properly completed as required by School procedures; invoice(s) agree(s) with general ledger as to vendor, amount, number, and date.
 - All supporting documents and approvals required by School procedures are present and agree with the invoice.
 - The transaction is a bona fide expenditure of the School.
 - The transaction is properly classified in the general ledger.
 - Disbursement complied with applicable State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations etc.
 - Disbursements are recorded in the proper fiscal year.
 - Clerical accuracy / confirm proper sales/use tax.

Cash Disbursements/Non-Payroll Expenditures (Continued)

For federally funded cash disbursements/non-payroll expenditures selected, inspect supporting documentation to determine:

- Charges are necessary and reasonable for the proper administration of the program, incurred during the approved grant period, given consistent accounting treatment and applied uniformly to both federally assisted and other activities of the recipient.

5. Haphazardly select ten purchasing card transactions from the Office of the State Comptroller General (CG) listing of purchasing card transactions for Fiscal Year 2019 and inspect supporting documentation to determine:

- The cardholder is a full-time State employee.
- The cardholder is an authorized user and individual credit limits have been properly approved in accordance with School policies.
- The purchase is authorized based on the cardholder's job title/position.
- The monthly purchase summary was submitted along with applicable receipts and signed by both the supervisor and cardholder.
- The purchase did not exceed the single transaction limit or the individual credit limit and there was no indication of transaction splitting.

We found no exceptions as a result of the procedures.

Payroll

6. Compare current year payroll expenditures at the subfund and account level to those of the prior year. Obtain from management an understanding of variations over \$100,000 – General Fund, \$40,000 – Earmarked Fund, and 10%.
7. Compute the percentage distribution of fringe benefit expenditures by fund source and compare to the actual distribution of recorded personal service expenditures by fund source. Obtain an explanation of variations greater than 10%.
8. Compare the percentage change in personal service expenditures between the current year and prior year to the percentage change in employer contributions expenditures between the current year and prior year. Obtain an explanation of variations greater than 10%.
9. Haphazardly select five employees who terminated employment during the fiscal year to determine if they were removed from the payroll in accordance with the School's policies and procedures, that the employee's last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.
10. Haphazardly select five employees hired during the fiscal year to determine if they were added to the payroll in accordance with the School's policies and procedures and that their first pay check was properly calculated in accordance with applicable State law.
11. Haphazardly select five bonus pay disbursements to determine:
 - Employee does not make more than \$100,000 annually.
 - Bonuses received during the year did not exceed \$3,000.
 - Payment agreed to supporting documentation.
 - Bonus pay was approved by the appropriate supervisor.

Payroll (Continued)

Finding

For one employee included in the inspection of terminations and for another employee included in both the inspection of new hires and terminations, the rate of pay was not adequately supported by the documentation in the employee files. In each instance, the amount paid exceeded the approved rate of pay in the employee file.

Management's Response

We concur with the findings. Documentation should have been filed to support the employees' rate of pay for each instance. Our corrective measure is to ensure all payroll changes are properly documented, approved and maintained in the employee payroll file.

Journal Entries and Transfers

12. Haphazardly select four journal entries and one transfer for the fiscal year to:

- Trace postings to the general ledger, confirming amounts agree with supporting documentation.
- Confirm transaction is properly approved.
- Inspect supporting documentation to confirm the purpose of the transaction.

We found no exceptions as a result of the procedures.

Reporting Packages

13. Obtain copies of fiscal year end reporting packages submitted to the CG. Inspect the Master Reporting Package Checklist to determine the appropriate reporting packages were prepared and submitted by the due date established by the CG's Reporting Policies and Procedures Manual.

14. In addition to the procedure above, perform the following:

- Cash and Investments Reporting Package

Determine if responses and reported amounts are reasonable/accurate and all required supplemental information was properly prepared and submitted based on inspection of the South Carolina Enterprise Information System (SCEIS) general ledger, the SCEIS Yearend Reporting - Cash and Investments report and/or School prepared records.

- Grants and Contributions Revenue Reporting Package

Determine whether the classification of the ending operating grant balances was proper (i.e. receivable vs. deferred revenue).

- Capital Assets Reporting Package

Determine if responses and reported amounts are reasonable/accurate based on inspection of the SCEIS general ledger, the SCEIS Asset History Sheet and/or School prepared records.

Reporting Packages (Continued)

- Operating Leases Reporting Package

Based on inspection of invoices, lease agreements, and SCEIS / School accounting records, determine if rental payments were properly classified, coded, and calculated by inspecting and recalculating the following reported amounts: (1) three haphazardly selected contingent rental payments; (2) the effective dates, and future minimum lease payments for the School's sole operating lease; (3) All costs of property to be leased to others; and (4) All future rental payments to be received for property leased to others. In addition, confirm that the School submitted copies of all leases to the CG in accordance with the CG's Reporting Package Instructions.

- Subsequent Events Questionnaire

Determine if responses are reasonable / accurate and any required supplemental information was properly prepared and submitted based on inspection of the SCEIS general ledger and / or School prepared records.

Finding

The School submitted employee payment information for question 15 of the subsequent events questionnaire. The question asks for information pertaining to employees who terminated State employment on or before June 30, but the termination date of the employee for which information was submitted was July 1.

Management's Response

We concur with the finding. This was a misinterpretation of the question. We are now fully aware and going forward we will ensure all information is clearly understood and recorded accordingly.

Composite Reservoir Accounts

15. Obtain a listing of School composite reservoir accounts and confirm with School management that the listing is complete.
16. Obtain fiscal year monthly reconciliations for the composite reservoir account and for one haphazardly selected reconciliation, perform the following procedures:
 - Determine that selected reconciliation was timely performed, reviewed, and properly documented in accordance with State regulations, and is mathematically correct.
 - Agree applicable amounts from the reconciliation to the general ledger.
 - Agree applicable amounts from the reconciliation to the State Treasurer's Office monthly reports.
 - Determine if reconciling differences were adequately explained and properly resolved.
 - Determine if necessary adjusting entries were made in the accounting records.
 - Obtain a reconciliation of applicable composite reservoir account balances to the liability for assets held in custody for others and determine mathematical accuracy.
 - Agree the reconciled balance of the liability for assets held in custody for others per the reconciliation to the School's accounting records.

Composite Reservoir Accounts (Continued)

17. Haphazardly select and inspect five composite reservoir account receipts to determine that they were properly described and classified in the accounting records in accordance with the School's policies and procedures and State regulations and that they were recorded in the proper fiscal year, and that any retention or remittance of revenue is supported by law.
18. Haphazardly select and inspect five reservoir account disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the School's policies and procedures and State regulations, were bona fide disbursements of the School, and were recorded in the proper fiscal year.

We found no exceptions as a result of the procedures.

Fiscal Monitoring of Schools

19. Compare current year trial balance account balances, excluding revenues and expenditures, to those of the prior year. Obtain and document an understanding of variances over \$300,000 and 10%.
20. Inspect budget allocations for the current year and the prior year to determine consistent budgeting to support the School.
21. Compare School district total revenues to total expenditures for the current year and obtain an explanation from management if the School's expenditures exceeded revenues and appropriations.
22. Through inquiry with management, determine and document the School's reserves / funding to maintain School operations if an emergency or budget shortfall should occur.

We found no exceptions as a result of the procedures.

Housing Agreements

23. Obtain a listing of the School's housing agreements with its employees during fiscal year 2019. For the employees that pay monthly rent, inspect the rental agreement and ensure payments were accurate and timely. For the other employee(s) who do not pay monthly rent (on-call employees), inspect the rental agreements and confirm in SCEIS that the rent is correctly reported as a taxable benefit.

We found no exceptions as a result of the procedures.

Governance, Risk and Compliance (GRC) SCEIS Module

24. Haphazardly select one control identified through the SCEIS GRC system that was in place during fiscal year 2019 and inspect mitigating control documentation. Confirm with management the controls are operating as designed.

We found no exceptions as a result of the procedures.

Appropriation Act / Laws

25. Confirm compliance with the School-specific state provisos by inquiring with management and observing supporting documentation, where applicable.
26. Confirm that an inventory of School property, excluding expendables, was completed during the fiscal year as required by South Carolina Code of Laws Section 10-1-140.
27. Confirm compliance with Proviso 117.13 by observing management's submission documentation to the State Human Affairs Commission.
28. Confirm compliance with Proviso 117.15 regarding the reporting of fair market rental values for residences furnished to State employees through inspection of management's submission documentation to the Agency Head Salary Commission and the Department of Administration.

We found no exceptions as a result of the procedures.

Status of Prior Findings

29. Through inquiry and inspection, determine if the School has taken appropriate corrective action on the findings reported during the engagement for the prior fiscal year.

We determined that the School has taken adequate corrective action on the findings reported during the engagement for the prior fiscal year, except as described in the Cash Receipts/Revenue section above. In addition, although no exceptions were encountered, it was determined that certain corrective action associated with findings in the Appropriation Act section of the engagement for the prior year is still ongoing.